Weekly Economic Review

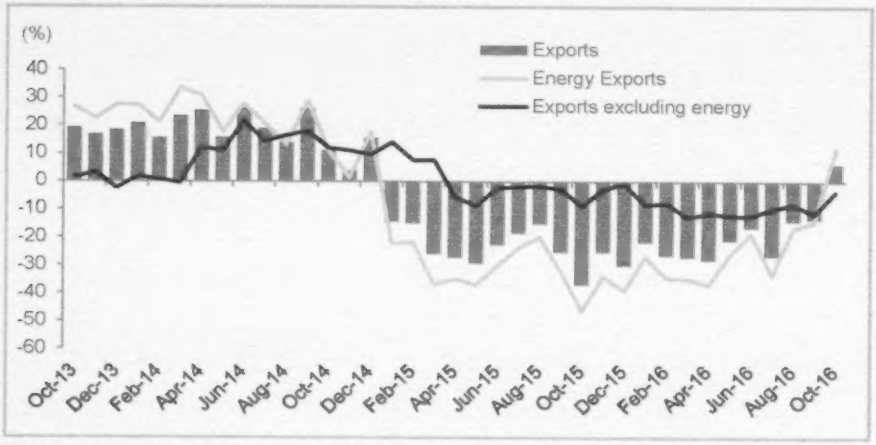
Exports strengthen in October

Merchandise Trade

Higher energy and non-energy products lift overall exports

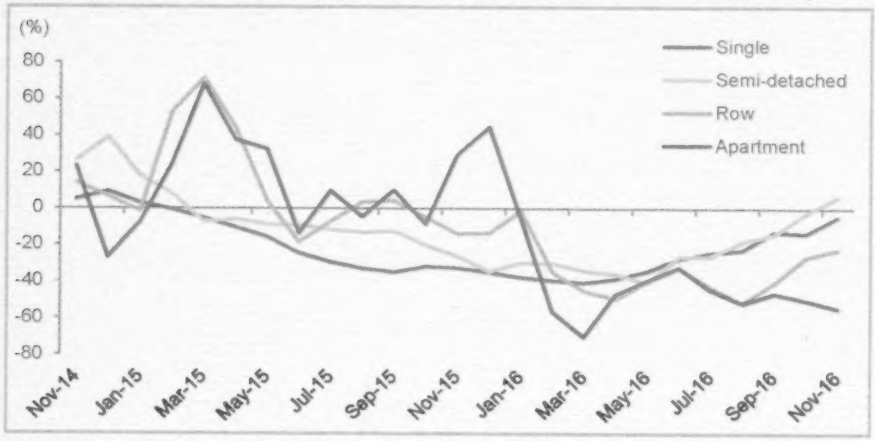
After slipping slightly in September, the value of Alberta exports increased in October to its highest level so far this year. Alberta exports rose 3.9% month-over-month (m/m) to $7.2 billion due to higher exports of both energy (+2.2% m/m) and non-energy products (+7.4% m/m). On a year-over-year (y/y) basis, exports increased for the first time since December 2014 (Chart 1) as improving oil prices boosted energy exports (+12% y/y) . Gains were limited, however, as exports of non-energy products were lower compared to last year (-3.7% y/y). This reflected weakness in industrial machinery, equipment and parts (-32% y/y), metal and non-metallic mineral products (-17% y/y), and farm, fishing and intermediate food products (-3.1%y/y).

Chart 1: Exports up year-over-year for the first time since December 2014
Year-over-year growth in Alberta exports



Source: Statistics Canada

Chart 2: Housing starts diverge across dwelling types
Year-over-year change in housing starts based on 3-month moving average



Source: Canadian Mortgage Housing Corporation

Housing Starts

Starts hold steady

Alberta housing starts were virtually unchanged in November. With 25,903 (annualized) housing starts, November marked the third month in a row where starts exceeded the year-to-date average of about 24,400. On a monthly basis, housing starts improved in most regions, with the exception of Edmonton where starts fell (-13% m/m), partially reversing some of the gains in October. Although starts have stabilized in the last two months, they remained significantly weak, down 40% year-over-year. Differences have also emerged across housing types (Chart 2). Following declines in early to mid 2015, single and semi-detached starts have recently shown signs of stability. Meanwhile, apartments and row housing starts have remained significantly weak year-over-year through 2016.

New Housing Price Index

New home prices continue to wane

New home prices continued to moderate in the province. While Alberta's New Housing Price Index (NHPI) was little changed in October (-0.1% m/m), it was 1.0% lower compared with last year, as the decline in the NHPI's house component (-1.7% y/y) more than offset gains in land prices (+0.7% y/y). In contrast,

new homes prices at the national level continued to accelerate (+3.0% y/y) to the fastest pace since June 2010. Gains were led by strong growth in the house component in Ontario (+7.9% y/y) and BC (+7.1% y/y).

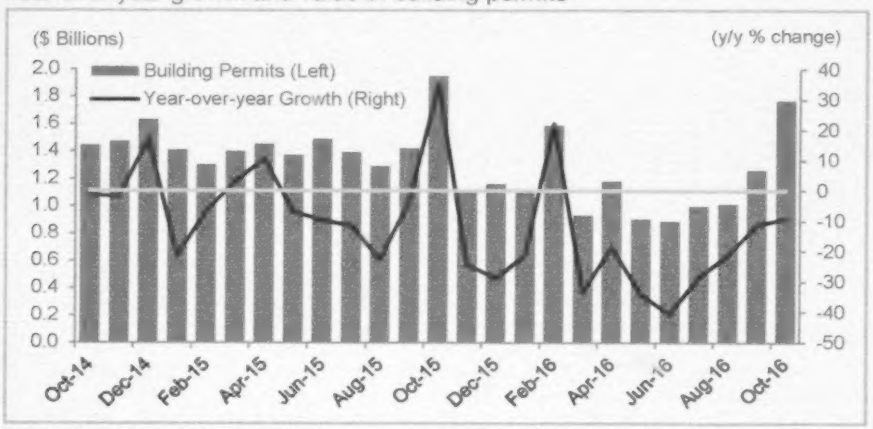
Building Permits

Policy changes lead to spike in building permits

Alberta building permits surged ahead of changes to the building construction code. The value of building permits jumped 40% m/m in October to $1.8 billion (Chart 3). The increase was largely attributable to the implementation of the "Energy Efficiency" section of the 2014 Alberta Building Code and the 2011 National Energy Code of Canada for Buildings that took effect on November 1st. Building permits rose for residential (+30% m/m), industrial (+97% m/m) and commercial (+111% m/m) buildings, but fell for institutional and governmental structures (-17% m/m). Despite the monthly spike, permits issued remained down 9% from a year ago as declines in residential (-12% y/y) and institutional and governmental buildings (-48% y/y) outweighed gains in industrial (+44% y/y) and commercial (+23% y/y) structures. Nationally, permits rose 8.7% from last month. Most provinces reported gains in building permits, led by Alberta and British Columbia.

Chart 3: Building permits surge in October

Year-over-year growth and value of building permits



Source: Statistics Canada

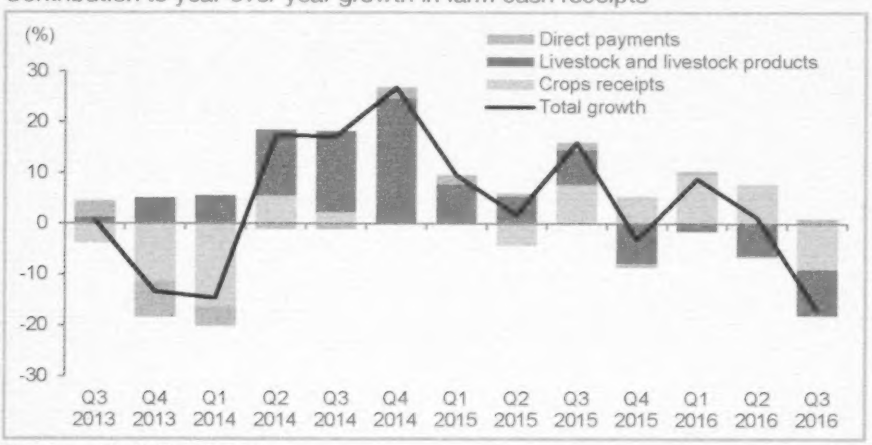
Farm Cash Receipts

Lower prices drag on farm income

Lower prices for grains and oilseeds as well as cattle and calves have weighed on farm incomes. Farm cash receipts fell for the second consecutive quarter (-6.6% quarter-over-quarter or q/q) to $3 billion in the third quarter of 2016. The decline was largely driven by lower cash receipts from crops (-28% q/q). Compared to a year ago, farm cash receipts were down 17%, reflecting lower receipts for both crops (-21% y/y) and livestock (-18% y/y). Although farm cash receipts have declined 2.4% year-to-date, they remain above 2014 levels.

Chart 4: Weak crop and livestock prices weigh on farm incomes

Contribution to year-over-year growth in farm cash receipts



Source: Statistics Canada

Bank of Canada

BoC maintains policy rate

The Bank of Canada (BoC) has kept its overnight interest rate unchanged at 0.5%. While consumption has remained strong, supported by the recent change to the Canadian Child Benefit, and global economic conditions have improved, the slack in the economy persists as business investment and non-energy exports continued to disappoint. On the other hand, inflation has remained near the Bank's target of 2% as the effects of a lower Canadian dollar, which raise prices of imported goods, have been offset by recent declines in food prices.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.